



BEFORE THE STATE BOARD OF EQUALIZATION  
OF THE STATE OF CALIFORNIA

In the Matter of the Appeal of )  
FRANCIS LEDERER )

Appearances:

For Appellant: Albert E. Marks, Attorney at Law

For Respondent: Harrison Harkins, Associate Tax Counsel

O P I N I O N

This appeal is made pursuant to Section 19 of the Personal Income Tax Act (Chapter 329, Statutes of 1935, as amended) from the action of the Franchise Tax Commissioner in overruling the protest of Francis Lederer to a **proposed assessment** of additional tax for the year ended December 31, 1935, in the amount of \$736.62.

The proposed assessment, insofar as it is contested, results from the disallowance by the Respondent of a deduction claimed by the Appellant in the amount of \$5,815.29 on account of his contributions to World Peace Federation, Inc. Section 8(1) of the Personal Income Tax Act provides for the following deduction in computing net income:

"In the case of an individual, contributions or gifts made within the taxable year to or for the use of:

\* \* \* \*

"(2) a corporation, or trust, or community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting to influence legislation; \* \* \* \*"

The Appellant maintains that World Peace Federation, Inc., was an educational organization satisfying the requirements of Section 8(1)(2). The Respondent contends that the activities of the organization consisted of the dissemination of the personal views of the Appellant upon the relative merits of war and peace and should be classified as "informative" rather than "educational", and that the allowance of the deduction would make it

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possible for any individual to form an organization to advance his personal ideas and then claim the amount of his contributions to the organization as a deduction for income tax purposes.

World Peace Federation, Inc., was organized in February, 1934, as a non-profit corporation under the laws of California. The articles of incorporation provide that the organization "is formed for the purpose of promoting world peace and organizing world public opinion against war." No part of the net earnings of the organization inure to the benefit of any private shareholder or individual. The Appellant was the chief contributor to the organization, which had over twenty thousand members and whose activities consisted mainly in engaging in research and in giving lectures before churches, schools, colleges, and other groups upon the relative merits of war and peace. It also sponsored and financed a Boy Scout troop.

Giving due consideration to the objects, functions and activities of World Peace Federation, Inc., and attaching to the term "education" its usual and accepted meaning, it is our opinion that the Federation was during the taxable year ended December 31, 1935, a corporation organized and operated exclusively for education purposes. See Weyl v. Commissioner, 48 F. 2d 811, Cochran v. Commissioner, 78 F. 2d 176. It is difficult to perceive the distinction asserted by the Respondent between "information" and "education", as all information is in the broadest sense educational. See 3 Paul and Mertens, Law of Federal Income Taxation, 586. There is nothing in the record before us to indicate, as the Respondent alleges, that the personal views of the Appellant were disseminated or that the organization was engaged in political activity of any kind.

O R D E R

Pursuant to the views expressed in the opinion of the Board on file in this proceeding, and good cause appearing therefor,

IT IS HEREBY ORDERED, ADJUDGED AND DECREED that the action of Charles J. McColgan, Franchise Tax Commissioner, in overruling the protest of Francis Lederer to a proposed assessment of additional tax in the amount of \$736.62 for the year ended December 31, 1935, be and the same is hereby modified as follows: : Said Commissioner is hereby directed to allow the Appellant an additional deduction from gross income in the amount of the Appellant contributions to World Peace Federation, Inc. In all other respects the action of the said Commissioner is hereby affirmed.

Done at Sacramento, California, this 4th day of August, 1942, by the State Board of Equalization.

R. E. Collins, Chairman  
Wm. G. Bonelli Member  
George R. Reilly, Member

ATTEST: Dixwell L. Pierce, Secretary